EVELYN NAKANO GLENN: Hi! Welcome to the last plenary session of the 2010 meetings; I mean, not the last meeting, but the plenary session where you guys don't have anywhere else to go other than here.

And our session is entitled The Global Financial Crisis: Passes to New Policies and a New Economic Citizenship?

For decades, market-oriented policies of free trade, widening inequality, and global speculation have eroded and redefined citizenship rights. This plenary session presents the insights of three very distinguished panelists on the roots of the current global financial crisis, its implication for democratic rights of citizenship, and possibilities for and constraints on reform that will preserve or expand rights rather than simply pave the way for the evolution of capitalism to incorporate new forms of ultimately destructive financial speculation. I'm sure our panelists and commentators will give us much to think about.

So, I will start by introducing the three panelists who will come up here to speak for about 20 minutes, and then I will separately introduce the commentators. James K. Galbraith is Lloyd M. Bentsen, Jr. Chair of Government/Business Relations and Professor of Government at the University of Texas. He is the author of six books and several hundred scholarly and policy articles. His most recent book is The Predator State: How Conservatives Abandoned the Free Market and Why Liberals Should Too, published in 2009 by Free Press. He also writes columns on economic and political issues for Mother Jones and contributes occasionally to American Prospect, The Nation, The Texas Observer and to the op-ed pages of major newspapers.

Miguel Angel Centeno is Professor of Sociology and International Affairs at Princeton University. From 2003 to 2007, he served as the Founding Director of The Princeton Institute for International and Regional Studies. He has published many books as author or editor, most recently Global Capitalism with Joseph Cohen and Discrimination in an Unequal World with Katherine Newman. He is currently working on several book projects including A History of State Development in 19th Century Latin America.

David Harvey is Distinguished Professor in the Ph.D. Program in Anthropology at The City University of New York Graduate Center. His specialties include urbanization, environment, political economy, geography, and social theory, and the study of advanced capitalist economies. He has authored more than a dozen books, perhaps the most famous is The New Imperialism, which I among others, have assigned in our graduate seminars. His most recent books are Social Justice and the City, 2009, Cosmopolitanism and Geographies of Freedom, 2009, The Companion to Marx's Capital, 2010, and The Enigma of Capital: Profile Books.

So, let's give a big hand to our presenters.

JAMES K. GALBRAITH: Thank you very much, and it's a great pleasure to be here. In subtitling my talk, "What We Might Have Learned" – I don't mean to imply that learning is now impossible; anyway, I hope not – only that learning, if it now comes at all, comes late – too late probably for practical political effect. And therefore, it has an academic character suitable for a gathering such as this and for future research by people like yourselves.

I'd like to frame four questions in Graham Allison fashion, each from a different disciplinary standpoint: Policy Analysis, Law and Economics, Political Science, and finally Sociology. In each case, I'll pose just one question, a question about which I have some ideas, of course, but which remains at least partly unanswered.

The policy analyst is a naïve and trusting person whose point of departure is the belief that economic and financial policies are made by public-spirited officials who seek the larger goals of social welfare or, perhaps, the statutory objectives, and I like to mention these because as a very young man, I had to write them – full employment, balanced growth, and reasonable price stability of the Humphrey-Hawkins Full Employment and Balanced Growth Act. It's a conceit, of course, and I ask your indulgence only briefly.

For the policy analyst, the central question posed by the great crisis is how to distinguish extreme from normal conditions in real time, and how to actualize that distinction in the modern bureaucratic policy-making process. The technocratic mindset is conditioned by the data-rich post-war world and loses sight of the fact that the institutions that measured also regulated, so the post-war world represented a regime shift as economists say, a great moderation that dates from long before the time when Ben Bernanke and his colleagues started applying that term to the period after 1982. In this context was the great crisis of '08 and '09, just another fluctuation within the post-war norms? Or was it a pre-war event, an end-of-regime breakdown? If the latter, then economic forecasts based on post-war norms would prove misleading. And policy based on those norms and those forecasts, the stimulus package for example, would prove insufficient. The right policy in that event would be – or would have been – to predicate action in the face of uncertainty on a worst-case scenario on the greatest possible course of action, the greatest possible program, a throw-everything-you-have-at-it agenda accompanied by an open-minded willingness to change course if the system proved unexpectedly resilient.

Some of us made that case at the time; I am a policy analyst, you see. But policy makers remain prisoners of the routines that they knew. They brushed off our warnings, they bought into the mechanical forecast of swift recovery that were generated more or less mindlessly by institutions like the Congressional Budget Office, and they burned their political capital on measures that would work only if the crisis was not, in fact, a distinctive historical event but rather a routine business cycle fluctuation. Too bad, too late now. We're stuck with the aftermath of what was an effective but inadequate program, and the political moment for another bite of that apple has obviously passed. And, we still lack an analytical reappraisal of the process capable of providing better and timely guidance for the next time around. There remains no circuit breaker, no pattern recognition device that will help us to distinguish extreme from normal conditions and act on them while there is still a political moment to do so. It's a problem as old as Cassandra who was, of course, always right but never believed.

From the perspective of economics and law, we may ask what the great crisis teaches about the concept of market discipline. The notion that markets impose good behavior on private business, which is concerned of course about its reputation and, therefore, that standards and their enforcement can be dispensed with. This was the Chicago Doctrine implemented under Reagan, Clinton and the Bushes and particularly under Bush the second who placed radical deregulators in key agencies, promoted the most deferential and incompetent supervisors – bank supervisors from the savings and loan era – and withdrew the police, specifically the FBI from the financial sector; 500 agents were diverted to cover terrorism in the aftermath of 9-11 and never replaced. There was also, and I hope you have all seen the photograph, the immortal moment when the head of the Office of Thrift Supervision came to a press conference accompanied by his colleagues from the other federal regulatory agencies with copies of the Federal Register pertaining to underwriting standards and a chain saw. This was not a subtle message even for the business press. The result was a graphic reminder that the proper function of law is not to articulate an etiquette for markets to enforce; it is to define coercively the boundaries of tolerable behavior on the assumption that if the standards are relaxed, people will abuse them. In fact, what happened can be described in the precise language of a criminal ring. The mortgage originators were, in effect, counterfeiters producing documents that resembled mortgages but which were known by those who made them to be fakes destined to be renegotiated when the reset dates came in two or three years or, if they could not be renegotiated, to default.

An entire underworld lexicon described the craft. The liars loan, the ninja loan, no income, no job or assets; the neutron loan, an explosive device destined to destroy the people but to leave the buildings intact; toxic waste, the residuals from the securitized mortgages. The fact that that lexicon existed and was known to everybody who was in the industry surely demonstrates without further need for proof that the participants understood the character of the enterprise in which they were engaged. The counterfeit mortgages were then bundled and laundered in the precise sense known to the drug trade; by the ratings agencies who relabeled BBB minus junk paper as triple A without ever looking for or at the underlying documentation. Indeed, those who sought to look at that documentation were refused permission to do so and this despite the FBI's warnings as early as September 2004 of an epidemic of mortgage fraud. That is, it was not until 2007 when Fitch Ratings conducted a small survey of highly rated residential mortgage-backed securities and found evidence, which they described in their own words as startling of "fraud abuse or missing documentation in virtually every file." The laundered paper was then fenced again in the precise sense known to purveyors of stolen goods by the large investment banks such as Lehman Brothers, for instance, which did the biggest trade in liar's loans at Goldman-Sachs, which was long in the toxic bonds until the end was nigh and then went massively short, dumping its holdings on its trusting clientele. And the final element in such an enterprise is the mark, basically anyone with money to invest and trust in the investment banks and in the triple-A ratings of the ratings agencies. And this was known generically in the industry, so Michael Lewis tells us, as Düsseldorf. In this way, when the collapse came, major losses fell on Europe, triggering the flight to safety that became the European sovereign debt crisis, which still goes on today – international globalization with a criminal touch.

We might have learned from all this that there is just a thin line between bankers and crooks, and it's imperative that banks be policed like anyone else. So far we have not, and the statute of limitations is running. Following the Savings and Loan crisis, there were investigations, indictments, trials, and convictions, and over a thousand industry insiders went to federal prison – greatest white-collar prosecution in the history of the world. In this episode, they remain so far mostly at large.

For the political scientist, perhaps the right way to phrase the interesting question is this: by whom exactly are we ruled? The question was raised in acute form to some Democratic members of Congress in late September 2008 when the Treasury Department, headed by a former chief executive officer of Goldman-Sachs, demanded in a three-page bill draft, unlimited and unsupervised authority for 700 billion dollars of financial transactions mainly to buy the toxic assets back from the banking system. Was this a desperate measure necessary to save the system in an extreme situation? Was it a calculated rip-off by and for the undeserving rich? Or was it a punt? A fourth-down hand-off of effective power to the Democratic Congress, specifically the House Banking Committee under the chairmanship of Barney Frank by a panicked, incompetent, and disintegrating administration?

Members of Congress didn't know. I was, as it happens, one of three outsiders who were invited on the Sunday before the first vote on the TARP bill to speak with some 40 members of Congress – the skeptics caucus, extremely senior members by and large – and this was in a basement room of the Capitol Building, the strangest legislative environment I've ever experienced, and I heard all three viewpoints expressed. Those who were a bit closer to the process and knew Secretary Polson and a little more senior tended to be more trusting. Those who were a little further away and had their images formed by their general interaction with the Bush administration tended to be non-trusting at all. Ultimately, I think members voted largely on their instincts and on the politics of the situation, which were a combination of what the House leadership wanted, what their House home districts would tolerate, and the desire not to be seen as responsible for the final crash of the system, and perhaps for the election of John McCain. But the issue remains and into the new administration.

Why were AIG's counterparties paid in full? Why were stress tests administered whose results were negotiated with the banks before they were finalized and made public, a practice, I think, largely unknown to professional bank regulators before that time? Was the purpose to send a convincing signal that the banks were sound or was it to send an equally convincing signal that the government would back the banks no matter what their actual condition was? Why was market to market accounting relaxed on toxic assets, which will, in fact as they are counterfeits, never recover their value? Why was Chairman Bernanke reappointed? Why was Secretary Geithner promoted? And why hasn't the president yet nominated Elizabeth Warren to head the Financial Product Safety Commission? Why was a derivative's apologist made the Chief of Enforcement at the Federal Reserve? Why was practically nothing done about banker's compensation with obviously disastrous political consequences as bonus reports came in?

All of this remains, I think, rich fodder for those who are familiar with Tom Ferguson's Investment Theory of American Politics, for democracy theorists who are brave enough to continue in that field under present conditions, for researchers into the deep state , I recommend cross-fertilizing your work with analysis of Turkey and some other places, and even for retired criminologists if there are any looking for new vistas for their disuse but, I think, highly valuable professional skills. So much for the economists and the political scientists.

So, finally, if I may be bold, what should the sociologists do? What might we have learned? What might we yet learn from you? I am not a sociologist. I did take the Tripos examination at Cambridge in the 1970's, and I was warned gently but firmly to seek a less demanding field. So, perhaps what I am about to suggest might be better suited for the new generation of rogue anthropologists, social psychologists, or even for behavioral economists who seem to find fascination in what goes on inside economics' classrooms. However that may be, someone should do this, and sociologists as a group have been put upon and disparaged enough by economists for a generation or more that it might as well be you.

So, here's my suggestion. Plainly, we need an objective, dispassionate, thorough enquiry into the sociopathology of modern academic economics. How was it that an entire discipline managed to be overrun by a radical cult, its interest perfectly aligned with predatory financial power, which staged a colossally successful assault on the citadels of academic authority and prestige and, which at this moment, holds all power of significant appointment, significant publication, and significant recognition within the discipline? By what technique was an ideological monopoly akin to the Soviet nomenklatura established in the American university. It is not the case, of course, that no economist foresaw the crisis. Followers of John Maynard Keynes within the analytical traditions of Wynne Godley, a great man recently deceased, and Hyman Minsky foresaw it clearly and were on top of events in real time as were those working in the Veblen, Galbraith father, Galbraith son tradition of institutional analysis including, as they say, yours truly and especially the criminologically allied field pioneered by George Akerlof and Paul Romer and especially by William K. Black, who was the whistle-blower in the Savings and Loan crisis and, I think, the most significant authority on the mechanisms of financial fraud.

I have surveyed this work in detail elsewhere, and I won't repeat that here. What is true is that these traditions are totally outside the present academic mainstream in economics. Not a single article forewarning the crisis appeared in any so-called leading journal in the field excepting possibly Rahan's carefully worded warning at the 2005 – I think it was – Kansas City Federal Reserve meetings in Jackson Hole. No specialist in these areas holds a post in any of the so-called leading departments. None will be named president of the American Economic Association or, I am willing to bet, be awarded the so-called Nobel Prize in economics. Nor is there any sign that the situation might change. Truly, this is a strange situation where, under conditions of advanced academic freedom, there emerges a pulsate unique – a single thought – from which any deviation produces exile to the intellectual Siberia of liberal arts colleges and second-tier state universities. Surely, there must be some contrasting intellectual structure, perhaps in say sociology that is capable of yielding a more diverse, robust, and superior result or, perhaps, not. Charles Sanders Peirce, let me remind you, already analyzed the situation in 1877 in his great essay on The Fixity of Belief. Here's what he wrote: "The method of authority will always govern the mass of mankind, and those who wield the various forms of organized force in the state will never be convinced that dangerous reasoning ought not to be suppressed in some way. If liberty of speech is to be untrammeled from the grosser forms of constraint, then uniformity of opinion will be secured by a moral terrorism to which the respectability of society will give its thorough approval."

I leave you with that thought and to your duty! Thank you very much.

MIGUEL ANGEL CENTENO: Hello, is this working? Ok. First of all, thank you to Evelyn and Clarence for the invitation and to all of you for showing up. I have to admit that on this topic with this panel and these commentators, I feel a little bit like a spear-carrier in a production of Aida, but I will go on ahead. I thought that the best thing I could do in terms of trying to explicate the global financial crisis was to give a historical account of the rise of neoliberalism. I'm less sure about the fall in 2008, but we can talk about the rise beginning in 1975 and its dominance for 30 years. And by explicating that, by analyzing that historical story, we can get a better sense of why 2007 and 2008 happened. So, why study this history? Because I do believe that the rise of neoliberalism was a historically contingent event. This was not the product of some immutable laws, it was not absolutely, structurally inescapable; things happened in a particular order and for particular reasons. And, if we are to understand what will happen after 2008, we need to understand what those reasons were and what that trajectory was. I also think in following on James' comment, I think the rise of neoliberalism and its hegemony can give us a fascinating case analysis on how policy paradigms arise, how they become so dominant, and why they may be so important to understand. The culture of economics may be just as important as the economics of economics.

Now, neoliberalism involves several concrete steps, and we probably know the list – the famous Washington consensus. It involved the reduction of barriers to capital movements and to trade. It involved deregulation of practically every aspect of government and involved the transfer of tax burdens away from the rich and toward the poor. But, it was much more than this. If we want to understand neoliberalism as a sociological phenomenon, as a social fact in a sense, I think we have to talk about three interrelated aspects of it or three arcs of liberalism, if you will. One is a political one in which neoliberalism was a strategy for crisis containment. We could understand neoliberalism as a political project, and that helps explain why it arose.

Second, we need to understand neoliberalism as a policy choice, as an economic project and to understand what it delivered and what it had not delivered, and that helps us explain why it remained so strong for so long. And finally, we need to understand neoliberalism as a cultural project, as a hegemonic one; and this, in the end, is the critical aspect of the rise of neoliberalism – how it came to be perceived as absolute perceived truth. In turn, these three arcs can be used to understand why 2007 and 2008 happened, and it can help us begin to understand where we're going to go from there.

So, let's begin with just the neoliberalism as politics. Neoliberalism is essentially a crisis-containment strategy adopted by states facing a fiscal and economic crisis in the 1960's and 1970's – a crisis of legitimacy. And neoliberalism and the policies associated with it offered a political salvation for many of these states. Neoliberalism was a way of dealing with the apparent bankruptcy of many of the states, and it did so in two ways. One, it provided liquidity from financial capital in order to resolve this fiscal bankruptcy, financial stabilization, much more so than any kind of pure market rhetoric, was at the heart of the neoliberal project. Second, it provided the political opportunity to get rid of entitlement programs that had been targeted by elements of the power elite for many, many years.

The key to understanding the politics of neoliberalism is to get rid of this idea that it was anti-state; it was not anti-state. It was a strategy used by the state. To say that neoliberalism and the market policies that followed was against the state is to forget the example of China, is to forget the technocratic revolution in most of Latin America, and certainly to forget what happened in Eastern Europe. This was not a policy against the state but a radical shift in the post-war balance of power between domestic politics and global interest. What happens with neoliberalism is not the end of the state but actually the curtailment of the relative worth of citizenship in these states. Rather than being seen as the ultimate defenders of the rights of their citizens, states came to be seen as fiduciary powers with responsibilities to global capitalism. The most important thing for a state was not to protect the citizens but to generate investor confidence.

What is remarkable about this is how often and how well the distributional consequences of this shift were actually hidden from public discourse. The largest gains, and James has done a great deal of work on this, the largest gains were obviously made by the rich and by the well educated. In a fascinating historical twist, elements of the working class were selected as the privilege elite that had to be destroyed, whether it was coal miners in Britain or traffic controllers in the United States. The rich needed to be rewarded; the poor had to be disciplined. Now, part of the explanation for this is the contingency of leadership. The right and the neoliberal project had a gift of leadership in the 1980's – Ronald Reagan, Margaret Thatcher. The left, on the other hand, essentially collapsed in the face of this and started competing with the right to be seen as the truly sober economic manager. Whether we're talking about Blairite New Labour or Clintonianism or Third Way, the left essentially gave up any kind of responsibility to critique this project and started competing to the right to be the better, sober economic manager.

Internationally, neoliberalism also succeeded because of the changes having to do with the end of the cold war. The supremacy of the United States, the triumphalism of the United States in 1991, certainly after the gulf war, should not be underestimated. Prior to 1989, global politics trumped economic orthodoxy in determining political outcomes and policy preferences. But, after 1989 in the absence of the Soviet competition, threats posed by populations suffering hardships lost their political appeal. Government stopped fearing people being angry. The poor of the world largely lost their political leverage on the rich. Instead, the massive overhangs of the global south and the global east meant that they had to obey more and more the dictates of these global policy markets. In any case, many of those guiding these states and certainly in Latin America also shared with their more developed country policy equivalents a need to be realistic, a need to deal with discipline, a need to accept the way things were. I will never forget a Mexican technocrat that I interviewed in the 1980's who explained to me why they had chosen their policies. And he said to me, Mexico will always be a prostitute. The only question is how rich the client will be. It was this imposition of the self-censorship that also helped explain the political outcomes. In short, the political story behind neoliberalism was about how global capital assumed central control over the policy mechanisms.

Neoliberalism was also an economic project, and we cannot explain its success over 30 years without looking at what it succeeded in doing. For many, neoliberalism was simply a technical policy solution – the best policy given a set of questions. We have to understand the crisis facing rich and developing countries in the early 1970's in order to understand the appeal of this model. More specifically, the coexistence of unemployment and inflation seem to shatter the Keynesian paradigm, and into this contradiction or paradox step the Chicago school with a model that appeared to have absolutely all the answers. And, again, the appeal of that certainty should not be underestimated.

Moreover, some neoliberal policies seem to enjoy significant success. First and politically most important, the new policies were successful in ending the apparently inescapable inflationary spiral. We have to remember the fear of inflation; those of us above a certain age can still recall Gerald Ford's 'Whip Inflation Now!' and the little buttons that were handed out. In places like Brazil, inflation had actually made most economic life impossible. Inflation needed to be defeated, and that was the primary policy problem. And some neoliberal policies and the takeover of economic policy by these people did deliver that in the early 1980's. The prioritization of inflation and the successful policies helped explain the lingering appeal of neoliberal ideas.

Secondly, the global investment boom of the 1990s meant that there was also some real growth and supported by nontrivial gains in consumption and well being. This masked a lot of the changes in distribution that were going on. Nevertheless, for many life seemed to be getting better. The issue at hand is the extent to which neoliberalism, per se, was responsible for this boom as opposed to other contingent events including cheap energy during most of the 1990s, the productivity gains made from computerization, the demographic trains that produce historically low dependency ratios and, of course, peace dividends. We should understand, again, the apparent success of these policies. If the end of history could be reached in a new car, photograph for the cell phone and posted on the WEB, who could complain?

Finally, this brings us to what I think is the most important aspect of the rise of neoliberalism. It is a cultural project or is a hegemonic project. This involved the often unquestioned assumptions about the ends of public policy and a political life in general.

By the mid 1980's, what had been seen as a political right was now seen in softer light as the reasonable center. An economic and political cook book arose from which policy makers deviated at considerable risk. There are many stories about how particular narratives were scripted. So, for example, the rise of the East Asian economies was assigned to market logics as opposed to a strong state guidance and a particular historical contingency. Most important was the normalization or the naturalization of markets. Markets came to be seen as inescapable natural laws; immutable and inescapable market forces were understood as analogous to gravitational laws and physics. Conversely, state efforts to regulate behavior or to impose sacrifice on the rich were seen as doomed to failure or unrealistic. Market triumphalism could always point out to the failures of state actions while its utopia of total markets remained in theory. These arguments also incorporated political philosophical arguments that equated freedom and liberty with property rights and limited governance. The apparent indivisibility of markets and democratic rule enhanced the intellectual appeal of neoliberal policies. And, in turn, this apparent unanimity of market support itself became a causal factor. We must appreciate the apparent indivisibility of these policies best exemplified by Thatcher/TINA: There is no alternative. Those who resisted the new way could be easily dismissed as disaffected or worse, holdovers from now bankrupt ideology. So, neoliberalism had political support. It seemed to provide economic answers, and it was legitimated as truth.

So, what happens in 2007 and 2008? How can we take these three political, economic, and cultural arcs and help explain what happened. First, politically, the second Bush administration through its hubris might have disrupted what we might call the class-wide rationality of neoliberalism and, in a sense, eroded its political appeal. The incitement of a new virulent form of Anti-Americanism did a great deal to discredit neoliberalism. Moreover, the Bush administration destroyed the right's claim to monopolize sober economic management, and it made the inequalities resulting from neoliberalism harder and harder to ignore.

Second, on the economic front, the deregulation was very much a part of the neoliberal project went way too far. The pursuit of innovation created a complex system that required more rather than less governance. We discovered that neoliberal promises and expectations aside, markets were actually very poor disciplinary forces. The failures of 2007 and 2008 also damaged the claims of economics as a new form of physics, and perhaps this deshaminization of economics may be the most important result of 2007 and 2008.

Finally, the inevitability of growth and of market solutions began to be questioned. But this is the part where I'm not certain we can really talk about a fall of neoliberalism. This is where neoliberal legacies and where its influence remain the strongest. I have been watching the discussion of the last two years regarding how to respond to the crisis, and I have noticed that it features many of the same attitudinal foundations and assumptions that were critical for neoliberalism. There remains an absolute faith in markets and the vision of markets as obeying natural laws. There remains a questioning of regulation and, most significantly, an unwillingness or an inability to claim back the political space from the dictates of the global market. Global investor confidence remains the most important political aspect for many governments. Much as in the 1970's, there is competition to see which state can best serve investor confidence. But we should draw a lesson from these 30 years.

First of all, economic policy involves political choices and a relative appraisal of interests and principals. Economic policy is about choices; it is not about received truths. There are alternatives with costs and rewards that need to be judged and explicitly stated. This is not about the content of the policy but the context in which that policy is debated; to claim there are no alternatives is to lie. As long as the answers are presumed to be given and questions about politics are not asked, the legacy of neoliberalism will endure. Thank you very much!

DAVID HARVEY: The title of my talk is the title of the book I've just published with Oxford University Press and in it, what I wanted to do was to try to come up with a structural understanding of the recent crisis against the background of crisis formation in general and the history of capitalism. In this I was inspired very much by the way in which Her Majesty, the Queen, when she went to the London School of Economics turned to the economics professors and said, how come you guys screwed up? She didn't say it that way, of course, but…and, you know, being a feudal monarch, of course, the British Academy felt it had to provide an answer. If I'd asked the question, they'd have told me to go screw myself, you know, but...so they put together a big panel of everybody including the governor of the Bank of England; and after six months or so, they wrote a letter to Her Majesty explaining that everybody had been working very hard on the bits and pieces, but the one thing they seemed to have missed is something called systemic risk. And you say, 'What? Systemic risk? I mean, isn't that the major thing you should be looking at?' And just recently the head of the IMF said, well they are now putting together a panel to sort of discuss systemic risk, but the work on the systemic risk is in its early stages, and we're not quite sure how it's all going to work out. And I thought to myself, well you know, in Marxist language systemic risk translates into the internal contradictions of capitalism, and the IMF could save itself a good deal of trouble by going and taking a look at this. And I try in effect in the "Enigma" book to lay out what systemic risks are all about and, of course, the tradition of economic theorizing that doesn't even exist on James Galbraith's horizon. You know, we are way, way out of anybody's camp in terms of this anyway.

The point here is that by looking at the nature of capital and looking at its crisis tendencies, you can see a number of things. One is I found I had to rewrite the whole theory of crisis formation in Marxian theory when I was doing this because a lot of it doesn't really work in the way it's traditionally being developed. So, the way I did this was to sort of emphasize something that Marx says in The Gundry so which I think has been very important in the way in which I conceive of these things, which is that capital cannot abide limits. And when it hits limits, it turns them into barriers that can then be transcended or subverted. I thought it was a very interesting idea, and I thought well, where are the barriers to capital accumulation and how do they work? The way I would look at this would be to look simply at Marx's very simple version of what capital accumulation is about, which is a capitalist starting the day with a certain amount of money, going into markets and buying some labor power, means of production, choosing an organizational and technological form, putting that to work in the labor process which produces a commodity which is then sold in the market for the original money plus a profit; I mean that's a circulation process. Now, that circulation process has certain properties. One of the key ones is it must expand, and it must expand forever, and there are very interesting reasons, which I do not have the time to go in to as to why that is the case. Capitalism is always, therefore, about growth.

The crisis is defined as lack of growth, and the minimum rate of growth which seems to be acceptable in the history of capitalism is around 3%; anything less than that is getting sluggish. If it gets down to zero, you are in a crisis. So 3% compound growth is what it's about. And actually, Angus Madison in his sort of look at things says, well, actually if you look at the total volume of goods and services traded in the global economy since around 1750 or 1820, you'll find globally it has grown at 2.25% per annum at a compound rate. Now this is an interesting kind of idea because it says the growth machine has to keep going. And then the big question is, how can you keep on finding profitable growth? Just to give you some ideas of what this means, a 3% compound rate of growth in 1970 would have said you needed to find globally 0.4 trillion dollars of investment opportunities – profitable investment opportunities. Now if you want a 3% growth rate right now, you've got to find 1.5 trillion dollars in new investment opportunities. If you keep 3% growth rate going up to 2030, you're going to have to find 3 trillion dollars. In other words, you know, 3% growth forever when capitalism was about what was going on in Manchester, Birmingham and a few other places around the world, no problem. But right now you've got to think about 3% growth forever based on everything that's going on in China and in East Asia and much of Latin America and the whole of North America and Europe and all the rest of it. And this is starting to be a real problem. And if you look backwards, I would argue that the last 30 years we've seen what some of those problems have been producing; that actually there's been increasing difficulty in finding profitable outlets for this expansion and where can it come.

One of the arguments I make is that, well, there are various ways in which that is being pursued including, for example, in the realm of consumption, there's a real problem in consumption if you produce things that last a long time. I am still using my grandmother's forks from Sheffield days of 1850. Now if capital only produced things like that, they would soon be screwed in terms of its market, so they produce things that have shorter and shorter lifetime including things that fall apart almost as soon as you buy them, even to the point where right now capital has shifted into the production spectacle because spectacle is instantaneously consumed. So, there is a very interesting kind of way in which urban life is actually being predominated by the production spectacle. And, you know, you look at the way in which Olympic Games get organized or World Cups get organized and things like that. There's a tremendous kind of emphasis on finding ways of this sort. So, there's all these transitions which are occurring. And when I go back into that kind of system, the number of blockage points are these. You can look at that system that I mentioned just now. The first blockage point is, where does the initial capital come from? How is it assembled in the right place at the right time in the right quantities so that it can actually find profitable investment opportunities?

Now Marx didn't do very much with this at all in capital, and so you have to actually sort of rewrite what he was doing by kind of saying this is a very crucial problem. And, in fact, if you look back in the 1970's, you'll find a big literature in the 1970's which talked about one of the key problems in the global economy was something called financial repression. That is, the financial system was not liberated enough to do its job to put the capital in the right place at the right time; therefore, you had to liberate the financial system and, of course, it got deregulated and globalized with all the consequences that we know about. So, the financial system then is very important, and if it's not working right you can get a crisis, which comes out of it. And if, by the way, the financiers get too much power they can also be a problem. We could argue right now that part of the problem is they maybe got too much empowered; you know, that financially there is not financial repression anymore, it's financial craziness. So, there's an issue there about all this. Now, the whole history of capitalism actually – since 1750 – has been about financial innovations; innovations that can assemble the capital in the right way to do things. I found this when I was looking at Second Empire Paris. I mean, who rebuilt Second Empire Paris? Well, the financing came from financial innovations, the Pereire Brothers setting up sort of new credit institutions which permitted Paris to be rebuilt. And, of course, the rebuilding of Paris was what partly got out of the crisis of 1848, and you've got everybody back to full employment by rebuilding the city. So financial innovation is crucial, and so the structure of financial institutions is a possible place where you can actually get something going wrong, which can be the center of a crisis. And it can actually just simply by itself elaborate into crisis, and Marx mentions this a few times as a possibility but doesn't actually go into the dynamics of how.

The second point is the labor point, the labor market. I'm not going into that because it's obvious, you know, I mean when labor is too strong, when labor is actually in a local market and can push, it's too strong. So, there's often a big crisis of labor, and I would argue that at the end of the 1960's early 1970's, there was a big crisis in the capital labor relation. Labor was too empowered relative to capital. And partly it was empowered because the way the world's economy was structured. It was structured into nation states that had autonomy in relationship to their fiscal policy. So, when labor party and trade unions could push that fiscal policy into welfare and all this kind of stuff, that had to break. And that really did have to break, and I don't interpret neoliberalism by the way; for me neoliberalism is a class project all along. There's a class project to break the power of labor, and this huge assault on labor, which occurred during the 1970's, 1980's and organized labor partly through globalization, partly through, you know, how Reagan and Thatcher all the rest of it was about actually disciplining labor and doing it very successfully to the point where the labor issue in many ways was overcome by the time you get to around the mid 1980's. But it introduced a real kind of interesting problem, which is what I call a problem of wage repression. That is, labor is disempowered; wages can keep on going down, the proportion of wages and gross national product/gross domestic product, however, in all OECD countries has been going down since the 1970's and has jumped up every now and then; it has even down in China, by the way. So, you know, wages are really under assault and have been under assault for the last, you know, 30 years. So, the labor problem, which was a blockage at the end of the 1970's, no longer was a blockage by the time you get to the mid 1980's.

The other problem is access to the means of production. Now, the lot of technical kind of problems about supply bottlenecks, but of course the big one happens to be the relation to nature; where your raw materials are coming from, how is the nature going to be used as a sink for waste products and all the rest of it. And here you find actually another kind of issue coming in, which is who controls those resources. Now Marx is very uncomfortable with actually allowing the facts of distribution to enter into his discussion of crisis formation. But actually the extraction of land rents and rents in general on resources is a big problem when those who control resources are too empowered they can actually mess up the whole system. An interesting thing here about the accumulation of wealth is now there is a good deal of data that says that actually the accumulation of wealth in Britain from the sixteenth century onwards occurred far more through the rise in land rents than they ever did through the factories in Manchester. And this had a lot to do with the power of the landed aristocracy to actually work through their control over land. Right now we've got rents which are being extracted from intellectual property rights. We've got rents extracted from resources, and if you look what capitalists are investing in they are often investing in rents not in production. And, of course, rents are extracted – they are not productive; they are extracted, not productive. So, the empowerment of a landlord class is a real, real serious problem, and I think we are running into it right now. Actually, you see these stories about the real rich folk right now. What are they doing? They are buying out masses of land in Latin America; the Chinese, of course, are buying up resources in Africa. I mean, everybody is kind of running after that to kind of get control of the land and get control of other resources. So, here too, and of course out of this comes the whole kind of question of an environmental crisis. So, you have a financial crisis possibility, you have a labor crisis possibility, and you have an environmental crisis possibility, and this is a very serious issue with us right now and the component of that within the system is something that has to be analyzed.

The next step is the kind of going into the labor process, and here you get into the question of how are you going to find the right technological and organizational forms? This is a big, big issue, and when we talk about this we are not talking only about the hardware, we are talking about organizational structures and so on. And you think of something like Walmart and the incredible kind of efficiency with which they…the organizational form they've got so you're talking about organizational forms. But here, too, you often find the organizational form runs into the fact that it runs ahead of the rest of the system, so you can get crises which are produced by accelerating technological change, accelerating kind of organizational change which, for example, displaces labor. And if you displace labor, then all kinds secondary effects go through the whole kind of system. Then we technologically induced unemployment and all the rest of it, which adds, of course, to the wage repression which has been going on. There are many issues of this kind which have to be…this is another potential blockage point that you won't have the right technological and organizational form to facilitate the continued dynamics of the system, or you actually introduce technological and organizational forms which are counterproductive in relationship to the dynamics of the system. This then leeches the labor process. Now, the autonomistas would say, this is where real power lies. And it is clear that actually value is produced in the labor process, and the power of the worker on the line and in the factory and in the field and all the rest of it is a very important issue. And discipline there is hard to establish, and the ways in which workers actually get down, get round to dealing with this…and there's a fight on the factory floor. And, you know, capitalists use all kinds of mechanisms; they love to use kind of gender discrimination, ethnic discrimination, all those kinds of things to exercise control over the labor process. But getting control over the labor process is a point where there can be real difficulties and, again, if you go back and look at the end of the 1960's, early 1970's discipline on the shop floor was kind of a real problem. Discipline of workers in labor markets and in fiscal policies of the state is a real problem, and all of that had to be crushed. I would argue, again, that by the time you get to the 1980's, capital could find pliant labor forces here, there and everywhere and could use all of the discriminatory forms that it uses to try to establish better control on the shop floor.

And then there is finally the whole kind of question that once you've got the product, who do you sell it to? This is a kind of interesting thing. You've got to have more money at the end of the day than there was in the beginning of the day in order to get the profit. Where does that more money come from? Well, there are three sources for it, I think. In the early years of capitalism, there were if you like, the gold reserves of the feudal classes, and you could either disrupt the feudal classes or you could sell to them or something of that kind, but that's pretty much all gone. I mean, although Vatican still has some gold which can be sold off to deal with the sins of its priests, I suppose, and things like that. But frankly, that is not a good…you know, the extra money is not going to come from there.

The second was the Rosa Luxemburg solution, which was to say, well, there's lots of silver in China and Latin America and all the rest of it; we can actually go, and so imperialism became a means of dealing with that in the 19th and early 20th century. But, again, it is very hard to imagine that with China now involved in the production the way it is, India involved, it's hard to imagine being extracted that kind of way. So actually this then leads to the question of the internalization of the production of effective demand. How does that work? Well, the answer here is that actually expansion tomorrow is what is the effective demand for yesterday's product. That's why the whole system has to keep on expanding at a 3% rate growth. The simplest way to look at this is then to say, well, but actually then puts in the problem of how do you get from yesterday to tomorrow, and the answer is well, that's where the credit system comes in again. And the credit system comes in in big time, so you get this very interesting way in which finance plays a very interesting role in all of this. Financiers lend to developers who then employ laborers to build houses that are then bought by wage laborers who borrowed money from the same financial company, so the financiers operate both in terms of the supply and the demand all of the time. And so you get this kind of…but this is a tendency to have a bit of a bubble kind of economy.

Now the effective demand question is a big one. Now if you've got wage repression, the big question to me is where was the effective demand coming from? Well, partly it was coming from this continued expansion, but actually there wasn't that much possibility of expansion except in places like China, so you get these geographical fixes to the kind of question of where the effective demand is. But the other way was to actually bridge the gap between what wages are being received by labor and the demand in the market by actually getting them involved in the credit system. So, you get the tripling of household credit in this country from 1970 to today. The same thing is going on in Britain and actually almost globally. You know, get out your credit cards and that is what is going to solve the whole kind of problem. So, again, the financial stuff starts to come into this picture big time.

Now, my thesis is that each one of those blockage points is a potential point of a crisis. You can get an under consumption crisis at the end, which actually then turns in to, you notice, a sort of an investment crisis at the beginning, and you can get any one of those points you can get a crisis. And any one of those blockage points can actually create mayhem in the system. I think Marx is quite right to kind of look at the flow of this and say any interruption of the flow of this – any blockage here – has to be overcome, and if you can't overcome it then you have a crisis. So, the big issue right now is where is the crisis this time? To my view a lot of it has to do with some of the things that have been said already; the disempowerment of labor relative to capital. The only place which is actually beginning to re-empower labor in relation to capital right now over the last few months has been China. Interesting, right? Twenty or thirty percent increase in wages, you form the internal market and you start as you generate an internal demand which can substitute for the loss of demand in U.S. markets; you can do those kinds of things. China is actually able to run a real Keynesian program and is, to some degree, running a real Keynesian program but is running into the problems that always come out of a real Keynesian program which is excessive investment of a production of many facilities. Overproduction, in fact, speculation and property markets in China is running out of hand; the property market doubled last year in China, and the housing values doubled in Shanghai just last year. So, you get all of these sorts of things going on.

Now, the other big question is, what is the political response? What is the political response and what has it been? The initial response was to go a little bit Keynesian with all of this kind of stimulus package. The latest thing is…as soon as the crisis shifted from the financial system to the state, then it became a fiscal crisis of the state. What's the answer to the fiscal crisis of the state? Sock it to the workers. And, in fact, interestingly my big argument about neoliberalism, one of the practices of neoliberalism that was arrived at in the sort of fiscal crisis of New York City in the 1970's and then applied full time to Mexico in the debt crisis in 1992 was in the event of conflict between the well being of the financial institutions and the well being of the people, you sock it to the people. What have we done the last two years? We've rescued the financial institutions and we're now socking it to the people. This is neoliberalism big time. And the other big thing about neoliberalism all along was, well, it's a class project. How rich are the rich getting right now. Well, actually, the number of billionaires in India doubled last year. Those people who survived right now on Wall Street are making out like bandits, and a whole bunch of other people are coming in. I mean this class system which owns, by the way, Congress, so the idea that somehow or other Congress is going to do something about it when the party of Wall Street as I call them controls both political parties – that idea is kind of ludicrous. The only answer it seems to me is going to be a social movement which is going to attack the fundamental nature of the problem, and the fundamental nature of the problem from my perspective is going to be the production of the surpluses, the control of the surpluses and how they are used.

My dilemma right now is when you look at the forms of political organization on the left – I mean you can go with the autonomistas and the solidarity economists; you can go to the political parties, and if I hear anybody in a political party tell me, 'well, this is an example of the falling rate of profit,' I can get out of it, you know? So, if the political parties are not doing it – nobody is really doing it, in part because there's no way in which those political movements are actually addressing what seems to be the foundational problem. And the foundational problem is precisely this compound rate of growth forever, which has already been running into difficulties. One of the difficulties to which I think is most symbolic of this over the last 30 years has been that actually capital has invested more and more in asset markets than it is interested in investing in things. The result has been asset bubble after asset bubble after bubble because asset markets work in a different way than markets for automobiles. If I invest in property – very good example – if I invest in property the property market goes up, and so somebody says, 'oh, property market is good,' they come in. And then I come in more and more and more. They all have a Ponzi character even without a Bernie Madoff at the top. And so he would get again and again and again, and that is going on with land right now, and it's going on with other things. So investing in asset markets started to become big-time game from the 1980's onwards precisely because there was not the possibility of finding real productive outlets, profitable outlets for this, you know, surplus which, at that time, was around a trillion dollars of new investment possibilities. This seems to me to be the critical problem. Capitalism is at an inflection point, you know, from its long history which begins whenever you want but really takes off around 1750 or so into this compound rate of growth. It's at an inflection point right now and unless we are prepared to realize we're at that inflection point and all of the policy stuff that's coming down the pike including the Keynesian solutions are only going to be short-term palliatives to what has to be a radical reconfiguration of how society works; and until we are prepared to think about that and think in a revolutionary fashion about that, then it seems to me, well, we might just as well just go home and drink our martinis and wait for the world to collapse. Thanks very much.

EVELYN NAKANO GLENN:Thank you very much to our panelists. We now have a very distinguished group of commentators and, because of time limits, I think I am not going to read these wonderful biographies, which show how accomplished they are. So I will just identify by their name and affiliation, if you don't mind and also limit you to 5 minutes.

Clarence Lo is Associate Professor of Sociology at the University of Missouri, Columbia, and he is also the co-organizer of this session. Everybody knows Frances Fox Piven, Distinguished Professor on the Faculty of Sociology and Political Science at the Graduate Center of City University of New York, and she is also a past president of the American Sociological Association. Then we have Fred Block who is a Research Professor of Sociology at the University of California at Davis. And then finally we have Michael Schwartz who – actually he doesn't say that he's a professor, but he is actually – at the University of Stony Brook, and he's written a lot of good stuff as has the rest of the people here. Just take my word for it. Ok, so one at a time. Do you want to stay there? Or do you want to come up here? Ok, alright, so why don't you guys stay there but talk into the microphones. 5 minutes. I will get out the hook otherwise.

CLARENCE LO: Thank you very much, Evie. Like Professor Galbraith, I have three questions and kind of know the answer, but not really, and would like to draw on the panel of the other questioners. The first question has to do with rather narrow economic policy, and as Professor Centeno has pointed out, that inflation was the real fly in the ointment of Keynesianism. Inflation and particularly stagflation in the 1970's lead to the disenchantment and so called exhaustion of Keynesianism and gave rise to all the neoliberal policies. Now today we don't have inflation to worry about, so does that mean for the next couple of years in this period of slow growth and no inflation – possibly de-inflation – do we go back to the old time Keynesian social democratic religion, I mean stimulus? Professor Harvey said that a little stimulus didn't work. Well, is what we really need economically a big stimulus? Old fashioned social democratic

Keynesianism; is this going to work economically? And if it is what we need economically, then what do we need politically? I suggest that if we go for this policy, what we need is a Leon Blum regime in the 1930's in France; he was the left-wing social democrat. But you need that not so much in France but simultaneously hear the political requirements in the United States, Japan, Germany, England. And if we can get that, we can get left Keynesianism. That's the way out of...is that the way out of the present situation?

Ok, my second question has to do with the policy questions that Professor Galbraith laid out, and that is this rather maddening, befuddling, my eyes glaze over technical economic management that none of us can really understand. I mean, we can just go to the dollars and cents blog and spend four hours there and just be overwhelmed at the different kind of alternative economic analyses. And so, what I am trying to get at is what is the basis of this technocratic decision making that seems to lead to just marginal changes even when we get a change in administration as historic as the shift to Obama; we still seem to be stuck in incremental reform by the same political economic elites. And what I'd like to suggest is that perhaps in the United States we really don't have social democracy. We've really never had the social democratic alternative; maybe we had a flash of it in the 1930's, but what reform in the United States in crises has always been is progressive reform, and by that I mean not progressive when we are leftist trying to hide that we are leftist we use the word that were progressive instead of leftist. I mean 1910 progressive reform; the progressive era where it was basically cleaning up corruption, getting rid of the bad trusts, the basic principles were rationalization, transparency, business efficiency, professionalism; what, as Fran Piven has pointed out, a major premise in this kind of 1910 progressivism is anti-working class, anti-immigrant, taking away the power of the urban immigrant ethnic working class ethnic groups; it was also racist. So this, I think, is defined…this is the millstone; we've got the technocratic economic millstone around our necks in terms of economic policy, and reform in the United States has the millstone of the worst, I think, of the progressive tradition, and this is what we have to deal with.

Now, my third question has to do with the rather wonderful analysis of crises that David Harvey has brought us, and it's just a wonderful flight of intellect and intelligence. The question I have is – he posed it rather sharply – it is that we are in crisis. We don't quite know what it is, but we know that there is a crisis out there. The other thing that we can be sure of is that capitalists and political economic elites are trying their best to transcend that crisis and create a new circuit of capitalism. And I am rather disturbed at the question that David Harvey left, is that what are we going to do? Are we just going to sit back and analyze? Hey, you know, they made a great move. They understand the crisis and Geithner – yeah, he's really going to solve it for them, and I'll bet you Geithner gets them out of this; Fred, what do you think? That, all too often, is the stance that radical critical sociologists and econo…– you know, sociologists; there are no critical or very few critical economists – have because, you know, they are not taking into account a real movement in a real program.

Now, fortunately, Evie has put together a program where if you go around from room to room, there are people discussing, you know, in…for different topics. You know, what…how do social movements take citizenship rights forward to the next stage in different arenas? And, I think there are answers coming out of the different rooms. I would love to get a sense from the audience, a sense from the organizers blending right in, you know, like tell us so we can kind of compile this. Write to Evie because like there are some areas where we can solidify around an issue. You know, healthcare, the single payer. I mean, we all know that poses a clear alternative. There's a struggle out there, we can relate to it. Now we can go down and list some things. Now the university at the first plenary…you know, we have the vision of a truly inclusive university generating public knowledge for citizenship, okay? There are people that are doing that out there, and there are people that have articulated that idea. That's an idea that we can contest the corporate university with. Okay, we can go down the list: environment, there's an emerging global climate justice movement. Now when it comes to finances, that's where I draw a blank. I mean, I was trying to come up…you know, what can we galvanize around, and we had a session on credit and, perhaps, we can do it on interest rate limits to credit cards and supporting the White House and some of these other amendments that really didn't get into the bill that would cap the obscene interest rates. But, you know, is this going to do anything? Because, no, there's a barrier and capital is going to find its way around it.

Okay, so anyway, that's my last question; in the crisis, what do we do? And it's actually a repeat of David's question – David Harvey's question. What can we rally around and especially in the financial realm? Thank you.

FRANCES FOX PIVEN: Well, when Clarence contacted me and asked me to be on this panel, he said I got to ask one question and, in my head, the question was going to be what's going to happen and what can we do about it? That was going to be my one question, but now I have sorted them out into a couple of questions. You know, there is a kind of faith that analyses really tell you what to do, but a good analysis is the basis of a solution. But I think that we are at a juncture where that might not be true, where the bearing of our analyses of what caused the financial crisis and our solutions may very attenuated. One kind of solution, and Jamey Galbraith has written about this, is our Keynesian solutions as Clarence suggested. It is not clear than Keynesian solutions are long-term solutions, but you know, we want to survive in the short term and maybe even in the middle term, but even to say Keynesian solutions; well, who is going to make Keynesian solutions important on the political agenda of this country or other countries. Nobody listened to Jamey when he spoke at a more opportune time, for example, and what makes capitalists, neoliberal capitalist societies convulse to the point where they're ready to inaugurate strong Keynesian measures such as reducing the work week or expanding social welfare policies so the old can retire at 60 and maybe generate some more jobs, or single-payer healthcare, or good infrastructure, or whatever?

In our society in the United States with business interest groups on a roll, a free-for-all of interest group politics, how can we even imagine a left social democratic series of solutions to the economic problems of the moment. Well, in the past, sometimes the political force for social democratic initiatives for Keynesian solutions have come as a result of tumults from the bottom of the society taking form, for example, in riots and strike waves. And I don't really agree with Miguel who said that the threat power of such mass action is actually gone; I don't think there's evidence at all that it's gone. So, you know, one possibility is that in the short-term future this kind of turmoil will reemerge and there will be some momentum, some fuel for a Keynesian politics, which otherwise will not occur because at this moment interest groups are in command of American governments on all levels. Well, so what I'd like to hear, what the presenters think about that. About where the force will come for solutions, maybe Keynesian solutions, but David Harvey says, well there's a much more foundational problem that Keynesian solutions cannot work over time, that we're in a situation where Ponzi-like capitalists are creating the conditions for more bubbles and more collapses.

And what we have to also contemplate is revolutionary transformation. Okay, let's do that. I think we should do that. But the problems of revolution of thinking – through revolutionary transformation –are of two kinds at least. One has to do with the forces that will topple the existing regime, and what happens when we topple the existing regime. Remember the slogan 'socialism or barbarism'? When we topple the existing regime, what do we or what do they do? Do they seize the state? Well, there's a lot of antipathy toward that kind of revolutionary solution. Moreover, that's not the revolutionary transformation; that's the moment of defeating existing power holders and cracking, maybe not shattering, existing institutional arrangements. What we know very little about is how to achieve the transformations toward a more social, humane, maybe socialist, maybe communist society once the existing power holders are, in fact, toppled. So, I would like your comments on that.

FRED BLOCK: Okay, so I had like one single question, but it was a seven-hour question, so I'm going to try to shorten my question and try to stay away as far as I can from this revolution versus reform choice here, or maybe just put my money directly on the reform opportunity here.

It seemed to me that all three speakers were suggesting the idea that this crisis isn't simply another post-war recession, that it represents the end, the exhaustion of the structures of accumulation, the regime of accumulation, whatever that had provided economic growth in the United States since World War II, that we can't really expect recovery on the old terms because consumers aren't suddenly going to go out and start borrowing money given the unequal distribution of income to buy single-family homes and automobiles in the way that they did in earlier periods of economic expansion. So, I want to kind of push people on the 'what comes next?' I think there was some hint of that in the title of this session – and obviously Frances and Clarence have pointed in the same direction – and see if there is time to say something about the green new deal, about the…I've been trying to give more content to this Keynesian notion that the civil engineers talk about, there's 2.3 trillion dollars of necessary investment over the next five years to bring our infrastructure up to some reasonable standard, and that doesn't count another many trillions of dollars to make a clean energy transition to build out solar, wind, other renewable energy sources.

So, I'm asking the question kind of, you know, David has emphasized the need for capital to find this 1-1,5 trillion dollars worth of profitable investment. Why is it that we can't create the structures, the frameworks in which we can draw huge amounts of this private capital that are floating around the world to finance this infrastructure, to finance the clean energy transition but to do it under conditions where the corporations are not in total command and total control? Thank you.

MICHAEL SCHWARTZ: I guess I have 7000 questions, but I have to figure out a way to limit it, so I want to talk about two things that are implicit or unmentioned so far that I think have to be brought up and thought about very clearly.

One is the question of inequality and not just plain inequality but global inequality that is part of this process that we've been talking about today, and the other is the question of war. The question of war is simple; where does war fit into this? I think we all have a sense and I think it was almost implicit that these wars that the United States is fighting, more and more of them it would appear are a reflection of this economic crisis either before it actually took full hold in 2007 or as a continuing process, and I just want to point to one little piece of that but be very interested in how our panelists would respond to the question of what war is and to say that, you know, just to pick on Harvey's comment of looking for the three trillion dollars of investment, it is very clear from the documents that the United States was very anxious to look upon Iraq as a source in vast investment for global capital in oil, which would solve two problems simultaneously, you know, I mean investment and there's a general kind of sense in all of the policy statements made by the various administrations, and there are four of them now that have spoken explicitly about Iraq and the Middle East as a target of American Military and that is the quote, opening up of these economies, which sounds an awful lot like a solution to the investment problem. But I'm sure there is much, much more to say about the way these wars play out and whether they are an act, for example, of desperation.

The second thing is inequality. You know, moments of crisis have historically been times when inequality has gotten more severe and/or have been times when really major reforms have taken place. I think there's that very interesting fact that got floated earlier in this session that this particular crisis has resulted in large increases in wages for Chinese workers. You know, not unlike the depression showing all sorts of ways in which various kinds of new programs were developed that were actually limiting inequality. Now there is also the question of global inequality in which over the last 20 years it has been apparent that the difference between the global north and the global south, or whatever language we want to use for that, has been increasing but not always, right? And there has been some real difference going on here, and I wonder how that's all part of this. Is this process of inequality in which, you know, if we take any of the portraits that were given, and this is the point I really want to get to, any of the portraits that we've heard today of the nature of this is very much unopposed ability of capital to kind of get what it wants even if what it wants is not what it actually needs. They just get their way. They have control of government policy, they have the ability to move all over the world, and so on and so forth, and yet, you know, we can see this recent period as a period in which there have been some really important setbacks for the neoliberal project. Certainly some of the political developments in Latin America are a perfect example of that, and I would claim that the Iraq war itself is a tremendous setback in the incapacity of the greatest military ever assembled on the face of the earth to knock over a bunch of rag-tag insurgents, though who had no weapons at all; eight years later they still haven't really done it, and they keep trying to claim victory. And, of course, Afghanistan is the quagmire of quagmires, so militarily and I think politically there have been some really big setbacks. So, to me I think what we need is a better analysis – a much better analysis – of what the things are that are really limiting this unfettered capital hegemony. The forces that are already at work and that we can look at and actually figure out, well, why were they unsuccessful here and use that as the place to look for understanding; how we can really make this come to a better outcome? Thank you.

EVELYN NAKANO GLENN: Ok, maybe we should give each of the panelists three to five minutes to respond to 19 questions. You'll have to pick and choose, I think.

JAMES K. GALBRAITH: Oh, certainly not! I'm going to answer them all, but I will combine a bit. First of all, on Lo's first question, do we really need a big stimulus? I hate that term. I really hate the term. It gives exactly the wrong impression about what the policy is supposed to do. It gives the idea that if you just spend a lot of money for a very short period of time, everything – the ship will come back upright and will go on on its previous course as though the previous normality can be restored. It can't be. So what we obviously need is to set a new strategic direction for the economy, which means solving certain problems that are in front of us. Of those, I mean you come back to Fred Block's issues, the green new deal to deal with the energy problem, to deal with the environmental issues, obviously very important. We've allowed the country to decay for a generation. Public capital investment fell off in the mid 1970's and in the 1980's in New York and California and through the rest of the country. It has never been restored. This is clearly a major part of the required agenda. And, in addition to that, by the way, the population is getting older and you can absorb a large number of people in caring for them if you have the right institutions. So, we need to have economic institutions of public and private which deal with these problems in a way which is economically viable. And that goes far beyond the notion of a stimulus, although it is not an anti-Keynesian position – it is highly Keynesian position but one that is adapted to the actual situation.

Lo's question 2: What's the basis for the technocratic decision making with which we are saddled? I think the answer to that is fairly straightforward actually. The professional forecasters in the Congressional Budget Office and elsewhere simply assume that things will return to normal over a five-year horizon, that the growth will be rapid and that we will have 5% unemployment by 2014. There is no foundation for that argument except that that's the normal pattern of post-war recoveries. So, they are imprisoned in a statistical trap of their own construction, and if the statistics had existed, the Keynesian-based statistics had existed in 1933, Roosevelt would never have been able to launch the New Deal. So it's something where the technocrats really have to be confronted seriously on the improbability of their forecasts and then what comes afterwards is logically inconsistent; very low inflation rates and very high interest rates, which give us the deficit hysteria – the basis for the deficit hysteria with which we are now also afflicted. He says the US has never been social democratic; I beg to differ. At least I don't like the inference that the progressive of the reform model in the United States is inferior to what existed in Europe. I think the New Deal was a fundamental transformation of the American economy following the failure of capitalism in 1929 to 1933. And what emerged afterwards was essentially post-capitalist.

Here, to move on to Lo's question 3 and to his discussion of David Harvey, I think that the problem that we have and the problem that I have with the Marxist analysis is not…, and I think we have to acknowledge that they have the virtue of having foreseen crises, but they never have been able to specify exactly what the form of the crisis is, and that goes to the fact that the analysis has not been really reexamined since the 19th century of what kind of economy we're in. We're no longer in a manufacturing economy where the shop floor and the labor capital relationships are fundamental. We're in a New Deal great society economy where healthcare, education, and housing are dominant institutions. We need to think about how those institutions can be made to function better and how they can be and are being abused. Those, I think, are our fundamental economic problems.

So that gets me to Lo's final question: What can be done to galvanize…what can we galvanize around in the area of finance? I say this is a problem for bringing to bear the criminal justice system. I said that in my talk, I say it again. You need to galvanize around that issue. There is precedent for this. In the 1990's, that was done in the wake of the Savings and Loan crisis, which was a mafia takeover of critical institutions. People like Charles Keating went to prison for lengthy terms, and the people they were associated with – up to a thousand of them – went to prison for clearly defined frauds that you can persuade any jury in the country to convict on. This happened again. It happened because the limits and the restraints on that kind of behavior were removed very deliberately. This is a question about which we have laws and procedures and prosecutors and regulators and people with experience, and we have juries who will convict if they are presented with the cases. And then you will financial institutions which will be disciplined for a while. That seems to me to be a very concrete goal around which to galvanize.

To get to Frances Fox Piven and her view of what should be done, I will have to say first of all it's not entirely true that nobody listened to me at the crucial moment. I did have allies, but it was a little bit of Adlai Stevenson's problem in 1956, the woman who said to him, 'you have the vote of every thinking person," and he said, 'Nah, that's not enough; I need a majority.' We have some very concrete political tasks. Coming up this fall will be a recommendation from the Simpson/Bowles Deficit Reduction Commission for major cuts in Social Security and Medicare; a huge assault on two of the most successful institutions of American life, the bulwark against poverty for the elderly population and the bulwark of financial stability for working families who would otherwise be burdened with parents that they will have to care for but can't afford to care for. This is a huge threat, and I encourage each of you to be aware of it and on guard for it, about it, and to be mobilized to oppose cuts in Social Security and Medicare when this battle is unleashed which will happen right after the election, I promise you. Later on, and this is a long-term proposition because we are obviously not treading water and not making much progress, there has got to be a battle over energy in the environment and over climate change. Those things are going to be major issues, which we have to face; otherwise, the country and the world will not be inhabitable for our grandchildren's grandchildren.

Is this fundamentally a basis for revolution? I think not. I have no enthusiasm for revolutionary solutions; I would just find the whole prospect of the upheaval and the trauma that is associated with revolution is far beyond my capacity to withstand.

Question of war, finally. Where does it fit in? I think the wars of the 2000's fit into the story of crisis in a very specific way. In 2003, there were some thoughts that the Iraq War would provide a new source of economic growth for the economy, but the war didn't prove to be big enough. And, certainly, the fantasy that there would be a major outlet in Iraq for capital investment was quickly dispelled by the climate of chaos and violence that followed the invasion of Iraq. So whatever illusions were on that score disappeared. It was at that point that looking for alternatives, the Bush administration decided first to approve every appropriation that Congress sent to them so there was a major surge in public spending in 2004, which helped George W. Bush get through that election and then to completely unleash the rogues in the financial sector, which again involved taking a mature industry and making it grow very rapidly which you cannot do by making good loans. There are not enough clients out there. So, the only way you can do it is to make bad loans and to encourage people who make bad loans and to allow them to report results which make them appear profitable in comparison with financial institutions that insist upon underwriting. And when underwriting went away, then the entire financial foundation of the American middle class was undermined and destroyed. And that is what has happened, folks. That is what has happened as houses have lost value in relation to the debt; houses of people who should never have been issued mortgages and houses of perfectly good prime credits who were just going along just fine until the bottom fell out on them. And it's not only that.

This is my final point on this. It's a situation in which this particular undermining of the capitalist system has basically destroyed the intercapitalist relationships, particularly between the United States and Europe because it was a final defrauding of European investors by American commercial and investment banks, which unleashed the European crisis. It was a fact that the assets that they sold collapsed in value, when people realized that they were not triple A assets but junk paper that would never recover value. That triggered the flight to safety which gave us the Greek crisis, the Portuguese crisis, the Irish crisis, and every other dislocation which is presently afflicting Europe which does not have the institutional foundations to deal with it. So, we are in a situation where I think – just to comment on something Miguel said – that this is really the end of the period of investor confidence. Investor confidence cannot really be restored without a fundamental purging of the system because people understand the kind of character of the people they were dealing with. Thank you very much.

MIGUEL ANGEL CENTENO: Faced with so many impossible questions, I will just ask my two. One is, what is the nature of the crisis? I think that was behind a lot of your questions. I think this is a system in crisis, and I see three roots of it. One – we have a governance problem, and that has to do not just with the technocratic control, it has to do with the relative powers of states, etc. We might have just created a system that is too complex to manage. The best analysis I've seen of what happened in 2007 and 2008, to borrow from my ex-professor, Chick Parrell, was a normal accident. And I think these kinds of normal accidents are going to happen more and more and more, and I don't know if we have a governance structure that can deal with the kind of interaction effects that a global financial and economic system creates. So, there's a system problem of how do we govern this system, this incredible animal that we have created. Is it possible to even manage this thing, or has it become so complicated and so convoluted that any kind of technocratic or managerial capacity is taxed.

The second problem that we have, and I think we've talked a little bit about it, but I don't think people realize how much of an environmental hole we are really in. We may have really screwed ourselves, and there is a human resistance to this kind of bad news. But we have to start taking it much more seriously, and we certainly have to take it much more seriously because it challenges not only…obviously there is an existential challenge, but it also challenges the very premises of capitalism. As David said, capitalism has always been based on perpetual growth. There's a wonderful passage in Locke where he's talking about property. And he's talking about…the example that he uses is picking up an acorn. Someone picks up an acorn and makes it their property; what happens when there's no more acorns? When we just run out of acorns, and the very basis of the system, the very motor of our system can no longer be maintained and particularly in terms of legitimacy. Capitalism has always accepted the inequality with the promise of some reward later on. I am having mine, but you will have yours some day. The environmental limit means that by my having mine, you won't get yours. And that very challenge to the very motor into the assumptions of capitalism will have to be faced.

The third systemic crisis is the global inequality. It's not just that the inequality has gotten better or has gotten worse, and there's all these mythological debates about it, is that the politics of that inequality has been transformed. For the very first time in history, those at the very bottom know exactly how those at the very top live. And the capacity of those on the bottom to make life very difficult for those at the top has actually increased, precisely because of this integration. We're going to have to solve the inequality problem, not just for the obvious moral and ethical reasons but simply because that global inequality is going to make the governance and trying to come up with these solutions to the environment very, very difficult.

What the answers to those three crises are I have absolutely no idea; but I can say one thing that has to be done and something that we can do. It doesn't necessarily involve social movements, it doesn't necessarily involve a revolution; we can teach. We can take back the discourse. We can start challenging a set of principles that are so unquestioned. We can take back…we can make soc 101 as popular as econ 101. At least in my institution, you're not considered literate as an undergraduate unless you have taken econ 101 and 102. That is a greater hegemonic efficiency than any higher party school in the Soviet Union ever managed. Why don't we start asking about the technocrats? About these received truths and start challenging? Why don't we start educating people so the roots of the crisis are not to be found in illegal immigrants who have to be pursued and put into jail? Why don't we start telling some truths and actually start challenging these assumptions? And, that, that is the one beginning to a new political change. Not so much the social movements, not so much a revolution but simply getting people to start thinking about their situation and to start realizing what that situation is all about. Thank you.

DAVID HARVEY: First I want to point out that this crisis is global, and it has very different manifestations depending upon which part of the world you're in and, of course, depending very much on the kind of configuration of economic activity. I think that James Galbraith would be very surprised if he went to China and he tried to make the argument that what's going on the shop floor is irrelevant. There you see what's going on on the shop floor, and it is pretty horrific and it's huge; it's absolutely huge. And some of the movements that are occurring in China right now are very, very important. And I would point out that actually, if you look at the Chinese case it's close to Keynesian program. It's a massive, massive investment in infrastructures; the unification of the space of Chinese economy, investment in water systems, higher-speed transport systems, and all the rest of it. It actually has an environmental twinge, I mean the Chinese are way, way ahead in terms of environmental technologies. This recent shift was informing in the internal market, and they've actually jacked up a lot of money in healthcare and those things that Fran was talking about. And guess what? China has been growing at the rate of 8% or 10% per year over the last year or so, and it overcame the real problem of the crash in the export market very quickly; and that Keynesian program has in trained many other of the East Asian economies. So that Australia, for example, has been booming very well because it's supplying raw materials to China. The unemployment rate in Singapore is 2%, I mean this is a marvelous moment, by the way, to look at the Geovanni Arrighi theses about hegemonic shifts and how they occur, and basically you see the United States going into this sort of deficit reduction kind of economic suicide in relationship to the Chinese who are using the Keynesian thing to surge ahead. Actually, if this country wants to commit economic suicide, it's doing it and it's doing it big time. And, by the way, it's not doing it because somehow the capitalists are omniscient or omnipotent. In fact, the big problem is the factionalization of capital. I mean, if you'd look just simply at the crude factions, I mean the wrong tiers in this country, the financiers in this country, the finance capital connived at the deindustrialization of the United States over the last 30 years. It connived at it in exactly the same way that finance capital in Britain actually destroyed British industry from the 1920's onwards. And look at the power of merchant capital. Look at the power of Walmart. Look at the power of those organizational forms in this country. And so each one of those forms. I mean, they don't necessarily have the idea of a capitalist class; they have an interest of their faction, and the factions, of course, have all the lobbyists and all the rest of it. We know what is going on in Washington around all of that. So, actually, they are not…in fact they're screwing up capitalism big time. They really are and leading this country in particular down this path in a very particular way.

Now, if you look at Europe and you look at the differences in responses in Europe in terms of the possibilities in Germany versus Greece versus – you know what's happening with the PIGS and all the rest of it – and then you look at Latin America, and you will kind of say, okay, there's a different…so, one of the things we've got to be much more sensitive about it seems to me is to look at this crisis as a global crisis and look at the ways in which events in say Southern California…I mean, the thing breaks out in Southern California, Arizona, and Nevada and Florida or maybe a bit of Georgia, too, and then it goes viral worldwide. And who knows…who would have thought that we would…you know, last November suddenly we're all worried about what the hell's going to happen to Dubai? And then all of a sudden that disappears off the map because it gets bailed out, and the next thing we know, Greece blows up. Now, what's the next place that's going to blow up? And it could, indeed, be China because the Keynesian problem is, indeed, the inflation, and there's a lot of inflation in China right now, and they're actually trying to control it in some way. So they are edging back;

they see the inflationary pressures. They are very, very strong, and they see the pressures that are coming through…you know, excessive overcapacity in an investment in property markets. And here, too, I would like to say something. This idea that Marxists have no idea what's going on in these other areas of consumption and so on is crazy. I spent the last 30 years of my Goddamn life talking about urbanization as being one of the crucial aspects and dynamics of what capital is about. And it is precisely about housing markets. It is precisely about all of those things, and the idea that somehow or other we're all living back with Marx in the 19th century – that's not right. I mean, yeah, some people are, but there is a whole absolute tradition here of really working very hard on precisely those issues on social infrastructures and their part.

Now, how are we going to come out of this? There's an interesting question, where is the next bubble going to be? It could be green technologies. It could be, I don't actually rate it. I really don't think it's going to work. The big one is likely to be biomedical, biogenetic engineering. You know why? Because property rights, intellectual property rights have the genetic materials – whoever gets them are going to be living beautifully forever. And very soon we'll actually have to file a petition in order to have a kid, you know, and prudent to put patents on life forms and things like that. That seems to me likely to be the next bubble, and it's interesting if you look at the big foundations, where are they putting their money? Where is Soros and Gates and all these people putting their money? Into biomedical stuff. Bloomberg supports stem-cell research at Johns-Hopkins, you know. That's what they're doing, and they are taking away from the government which used to actually define these research frontiers, and the big foundations like Gates and so on are actually defining that new frontier. So my bet is biomedical engineering, and there's likely to be in our futures on intellectual property rights over genetic materials and all this kind of stuff, and we are likely to see a very big bubble going down that line. And it could, of course, lead into major, major findings which can always be presented as a great humanitarian endeavor to make perpetual life available for those people who are very rich and can afford the procedures.

So, there are all of these issues, it seems to me. And finally, this whole kind of question of revolutions – yeah, if you think of revolution as storming the barricades – I don't care for that, either. But if you don't want to live in a revolutionary society then get out of capitalism, because capitalism is permanently revolutionary. It has been for centuries, and that is the genius of the system. One of the things I tried to do in the book is to talk about a co-revolutionary theory of social change. And then look at how capitalism emerged out of feudalism and then look at how capitalism has actually transformed itself. I mean, the whole transformation that occurred under neo-liberalization. It was changes in technologies, it was changes in social actions, changes in the institutions, a co-revolutionary transformation, and Margaret Thatcher said I'm a revolutionary figure, and she was. She really was. And we have to accept that. That's the kind of revolutionary person we should be thinking about. And we should be thinking about a co-revolutionary movement out of where we are into a different kind of society that is not based upon compound growth forever. Imagine, compound growth forever? It's not based on that but is based on some other form of social organization, different sets of institutions, and reform of what notions of property are about all of those kinds of issues.

In the immediate present, one of the issues I would argue for is to say that if the United States wants to do something constructive, it should completely radically reorganize its urban system. Driving around Atlanta is one of the most ridiculous things I've done in a long time. I mean, this is the most unsustainable society you've ever come across. I mean, just go out there and just look what's going on. I mean, it's crazy. It's profit in good in terms of land, it's profit in good in terms of energy. It's absolutely…the social inequality is written into the landscape hugely. In other words…but actually – this is why I agree with David about the stimulus. Stimulus – just give any money to anybody, well they go and build more roads and they keep on going with this crazy system which got us into this mess in the first place. So, there's no radical thinking about revolutionary transformation of this society around a different dimension of urbanization and the one we've been pursuing since 1945. That seems to me to be the crucial issue that we should be looking at. There's a lot of things to be thought about here, and there are very few people who are thinking it. And I agree entirely with the idea that the academy is one place where we can at least start to think about these things and all the rest of it. But the problem is..

EVELYN NAKANO GLENN: Excuse me.

DAVID HARVEY: Yes I know. The problem is we are not really collectively doing it! So, ok, let me shut up there. Thanks very much.

EVELYN NAKANO GLENN: I had actually promised Professor Galbraith one sentence I think on China. One sentence, maybe a very long sentence but….

JAMES K. GALBRAITH: I need to make a confession of a secret second life. In the middle 1990's for four years, I held the title of Chief Technical Advisor to the State Planning Commission of the government of the People's Republic of China for macroeconomic reform, and I always felt that the difference between the Russian and Chinese experience was that the Russians hired Jeff Sachs and Chinese hired me. Don't read too much into the labor issues here. Real wages in China are much higher than we imagine them to be because the price of consumer goods is much lower than we observe, and what's happened in the industrial sector is important but it is not a fundamental turning point, I don't think, in the structure of Chinese life.

EVELYN NAKANO GLENN: Ok, well, I want to thank very much our wonderful panelists, Professor Harvey, Centeno, and Galbraith, and our questioners. So I invite you to continue exploring all of our sessions, which have been fantastic. Thank you very much for being a good audience.